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Eleventh session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 30 June 1993, at 10 a.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

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The meeting was called to order at 10.25 a.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.11/15; IDB.11/2/Rev.1/Add.1, chap. III)

(a) SCALE OF ASSESSMENTS (IDB.11/5 and Add.1)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT (PBC.9/7 and Corr.1; IDB.11/10)

(c) PROGRAMME AND BUDGETS, 1994-1995 (IDB.11/2/Rev.1 and Add.1)

(d) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (IDB.11/4, IDB.11/10, chap. III, paras. 129-137, and appendix G; PBC.9/CRP.1)

(e) WORKING CAPITAL FUND (IDB.11/3, IDB.11/6, annex II; IDB.11/6/Add.1, annex II)

(f) JOINT UNITED NATIONS/UNIDO CONFERENCE SERVICE (IDB.11/21)

(g) APPOINTMENT OF EXTERNAL AUDITOR (IDB.11/22)

(h) ELECTRONIC DATA-PROCESSING PROGRAMME (IDB.11/23)

(i) UNIDO COUNTRY DIRECTOR PROGRAMME (IDB.11/7)

(j) FINANCIAL SITUATION OF UNIDO (IDB.11/6 and Add.1)

1. The PRESIDENT reminded the Board that the debate was expected to cover all of sub-items (a) to (j).

2. Mr. WARNER (Deputy Director-General, Department of Administration) said that the documentation on item 6 might be considered in two parts. The first consisted of document IDB.11/15, which contained the report of the Programme and Budget Committee on its ninth session. The Committee's report on its resumed ninth session would be issued as document IDB.11/15/Add.1; for the time being, the conclusion it had adopted on the Director-General's second set of revised proposals for the programme and budgets, 1994-1995 would be found in chapter III of document IDB.11/2/Rev.1/Add.1.

3. The second part concerned items discussed by the Programme and Budget Committee which required follow-up by the Secretariat. Document IDB.11/6/Add.1 updated information on some important issues identified in the report by the Director-General on the financial situation of UNIDO (IDB.11/6), including the status, as of 10 June 1993, of assessed contributions to the regular budget and advances to the Working Capital Fund, an updated cash flow analysis for 1993, and a review of the plan of action for the regular and operational budgets. On 10 June 1993, unpaid assessed contributions to the regular budget for the period 1986 to 1992 had amounted to $35.9 million and unpaid assessed contributions for the first five and a half months of 1993 had amounted to some $53.1 million, the total of $89 million representing about 89 per cent of current assessments. The 1993 collection rate as of 10 June 1993 had been 47.3 per cent, compared to 41 per cent at the same point in 1992. Since the issuance of the 10 June 1993 status of assessed contributions, Ethiopia, Ukraine, Mexico, the Russian Federation and Trinidad and Tobago had made partial payments amounting to some $2.7 million. Notwithstanding the slight improvement in the collection rate, the overall financial situation of the Organization required the Secretariat to maintain cost control measures, particularly for administrative and general operating costs.

4. The report in document IDB.11/6/Add.1 also described the financial impact on the operational budget of the continued decline in technical cooperation activities, the consequent reductions in income estimates, and the projected operational budget deficit for 1993. Finally, it updated the plan of action outlined in document IDB.11/6; in response to the deepening crisis in the operational budget, it emphasized the need to reduce staffing levels rapidly in order to stabilize the financial situation of the Organization. The planned adjustment in staffing levels took account of the need to redirect resource levels in order to prepare for possible structural reforms. Flexibility in the utilization of available resources was essential for resolving the financial issues facing UNIDO.

5. Document IDB.11/5/Add.1 updated the proposed scale of assessments for 1994-1995 to include four new Member States: Kyrgyzstan, Tajikistan, the Republic of Moldova and the Former Yugoslav Republic of Macedonia. No rate of assessment had yet been proposed by the United Nations Committee on Contributions for the last-named State. The updated scale also included provisional rates of assessment based on current available information for the Czech Republic and Slovakia. It would be adjusted before the fifth session of the General Conference to show approved rates for those two States and for the Former Yugoslav Republic of Macedonia, as well as any further changes necessary to reflect differences between the memberships of the United Nations and UNIDO.

6. Document IDB.11/21 provided updated information on arrangements for the joint United Nations/UNIDO conference service whereby UNIDO and the United Nations would review a business plan for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna. Document IDB.11/22 presented two candidates for the post of UNIDO's External Auditor for a two-year period beginning on 1 July 1994. Document IDB.11/23 updated the information provided in document PBC.9/6 on the cost of implementing the electronic data-processing programme in the biennium 1992-1993. Lastly, document IDB.11/2/Rev.1/Add.1 presented the Director-General's second set of revised proposals for the programme and budgets, 1994-1995, referred to in paragraph 4 of the document dealing with the first set (IDB.11/2/Rev.1).

7. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) drew attention to the report on the Industrial Development Fund (IDF) (IDB.11/4), which represented the Organization's only programmable source of extraordinary budget funds. Through the Fund, Member States provided resources which enabled UNIDO to act on its mandate of assisting developing countries to industrialize their economies, and thereby achieve the sustainable development which could meet global challenges such as alleviating poverty and combating

environmental degradation. The report described how UNIDO was using IDF-financed projects to respond to those challenges.

8. The financial situation of the UNIDO Country Director (UCD) programme was dealt with in document IDB.11/7. Measures had been taken in 1993 to preserve the maximum number of UCD offices consistent with available financial resources. With the agreement of the UNDP Governing Council, the UNDP sectoral support funds had been rephased so as to adjust the yearly allocations to cover actual costs for 1991 and 1992. The Programme and Budget Committee had requested the Director-General to continue negotiations with UNDP aimed at securing resources that would enable the present number of UCD offices to be maintained. In 1994 the Governing Council of UNDP would review the sectoral support allocation for the fifth programming cycle and make the necessary adjustments to the allocations for 1995 and 1996. However, since UNDP was itself facing a severe financial crisis, additional funding was unlikely to become available from it in the coming years, and a drop from 20 posts in 1993 to 12 posts in 1994 and 11 in 1995 and 1996 would therefore have to be envisaged. That being so, it was proposed that 10 UCD posts should be maintained under the operational budget and that UCD functions should be added to the three Regional Adviser posts financed from the regular budget.

9. UNIDO would follow very closely the negotiations on the unified field representation of the United Nations, to be considered by the Economic and Social Council in 1995, in order to plan its modified representation scheme in accordance with the new arrangements. Regrettably, no voluntary contributions to the UCD programme had yet been received. He reiterated his appeal to the Members of UNIDO to consider that option as a means of avoiding a further reduction in UNIDO's field representation and presence. It was, however, encouraging that several host Governments had contributed to local operating costs and that others were seriously considering doing so. A special fund-raising activity had been initiated with that in view.

10. With regard to the idea that UCD offices might be financed from the indicative planning figure of the host country, that was entirely a matter for the host country concerned and UNDP. UNIDO's field representation was the most valuable tool for strengthening its activities in developing countries. It received strong protests from UNDP and the host Government whenever it suggested the suspension or closure of a UCD office; not only that, there was a clear demand for additional offices. The only way of offsetting the loss of Country Director posts might be to reassign Headquarters posts.

11. Mr. HULSE (United Kingdom) said that his delegation strongly supported the decisions taken at the ninth session of the Programme and Budget Committee. On sub-item (a), it welcomed the recent admission to the Organization of Tajikistan, Kyrgyzstan, the Republic of Moldova and the Former Yugoslav Republic of Macedonia, and hoped that by the time the General Assembly approved the United Nations scale of assessments, more States Members of the United Nations would also have become Members of UNIDO. Regarding the programme and budgets for 1994-1995, his delegation commended for adoption by the Board the conclusion adopted by the Programme and Budget Committee at its resumed ninth session.

12. His delegation fully supported the Director-General in his efforts to stabilize the Organization's financial situation by reallocating available financial and staff resources within the Secretariat. The plan of action described in document IDB.11/6/Add.1 seemed not only sensible but absolutely necessary if UNIDO was to carry out structural and other reforms with reduced resources. It was regrettable that staff reductions might have to exceed those attainable through normal attrition; if enforced separations became necessary, his delegation hoped that the Director-General, while having due regard to the criterion of wide and equitable geographical representation, would be guided primarily by the paramount consideration of having staff who could work to the highest standards of efficiency, competence and integrity, as called for in Article 11.5 of the Constitution.

13. Mr. HELLER (Mexico) welcomed the tendency recently shown by Member States to contribute to the regular budget on a more timely basis. However, that did not resolve the precarious financial situation caused by the accumulation of unpaid assessed contributions since 1986. All Member States should discharge their financial obligations punctually so that the Organization could implement the programmes which they had entrusted to it.

14. In the reduction and redeployment of staff, due account must be taken of the rules and regulations of UNIDO and of the need to achieve the flexibility necessary for completing the structural reform of the Organization. His delegation considered that the programme and budget proposals for the biennium 1994-1995 responded satisfactorily to the mandate set forth in conclusion 93/4 of the Programme and Budget Committee, particularly with regard to the ceiling imposed on the regular budget and the maintenance of the Organization's operational capacity for technical cooperation. Administrative expenditure should be reduced in favour of technical cooperation activities, including technology transfer, training of human resources and support for the creation, modernization and overhaul of industries in developing countries. His delegation supported the revised proposals of the Director-General in that regard and recommended their adoption by the Board. The 1994-1995 budget process would not end with the adoption of the Director-General's proposals but would continue with the consideration of the budgetary reallocations resulting from the proposals awaited from the Director-General for reform of the Organization's structure and staff. Future reallocations of resources between departments should not be such as to have a financial effect on the budget.

15. With regard to the Industrial Development Fund, his delegation was concerned that, as a result of conditions imposed by donors and the restrictions inherent in contributions which were made in non-convertible currencies, only the limited general-purpose segment of the Fund was freely programmable. Contributors should increase the volume of resources available to the Fund, and in particular to its general-purpose segment. No conditions should be attached to contributions and the restrictions on the use of its resources for the purchase of equipment and machinery should be lifted.

16. As far as the UNIDO Country Director programme was concerned, his delegation advocated closer interaction between Country Directors,

national authorities and the industrial sector, as well as a strengthening of their activities in developing UNIDO's capacity to respond to changing conditions in areas such as human resource development, industrial competitiveness, new technologies, quality safeguards, entrepreneurial development and measures to combat poverty and industrial pollution.

17. Mrs. OK (Turkey) noted the statement by the Director-General in document IDB.11/6/Add.1 that, provided the improved pattern of payments to the Organization continued, there might be no cash shortfalls under the regular budget. Nevertheless, her delegation urged him to reduce and closely monitor the extraordinarily high level of general operating and travel costs, particularly for senior staff, and the costs of external consultancy experts. In her delegation's view, consultancy needs should be met by retraining the Organization's own staff. With regard to the operational budget, even the Director-General's pessimistic estimates seemed unrealistic. She called for a more realistic assessment of operational budget income for 1993, and also for 1994-1995. The Board should swiftly authorize the Director-General to take the necessary steps to reduce staff costs, to reform the structure of the Organization and to increase its efficiency in order to halt the slow-down in technical cooperation activities.

18. Her delegation hoped that the transfer of UNIDO's language and documentation services to the United Nations would take place at the very latest before the end of 1993. Another structural proposal which would increase efficiency and reduce expenditure would be the merging of Consultations and investment promotion activities.

19. Regarding the financing of UNIDO's field representation, her delegation shared the view of the Secretariat that, as extrabudgetary and operational budget resources were diminishing, the Organization had no alternative but to draw on its regular budget in order to maintain its field presence at the current level. Her delegation believed that could be done through permanent or temporary redeployment of posts to the field during the restructuring process. Operational budget resources, if available, might continue to be used to finance part of UNIDO's field presence. Furthermore, UNIDO Country Director office structures should be reviewed. The offices would benefit enormously from the services of a national officer with a sound knowledge of the country in question. If the Board wished to entrust field representatives with additional tasks, such as direct advisory services or support to national country strategies, their staff should be strengthened along the lines suggested by the Secretariat.

20. In conclusion, she raised the issue of the appearance of Yugoslavia in the list of assessed contributions to the regular budget for 1994-1995 (document IDB.11/2/Rev.1/Add.1, p. 27). UNIDO was an independent specialized agency with its own board of governors and General Conference and its decisions were taken by those two organs. On 30 March 1993 a special session of the General Conference had adopted a resolution (GC/S.1/Res.1) in which it had considered that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO, and had decided that the Federal Republic of Yugoslavia (Serbia and Montenegro) should apply for membership in UNIDO pursuant to article 3 of the Constitution, and that it would not participate in the work of the Programme and Budget Committee, the Industrial Development Board and the General Conference. That being so, the Secretariat's inclusion of Yugoslavia in the list of assessed contributions was incomprehensible to her delegation, as was the meaning of the final sentence of paragraph 12 of document IDB.11/6. She requested the Secretariat, through the President, to make the necessary corrections to that document and to provide a comprehensible explanation of why the clear-cut decision taken by the General Conference on 30 March 1993 had not been taken into consideration at the beginning.

21. Mr. FONTES BRAGA (Brazil) commended the Director-General for his efforts to achieve budgetary reductions. His Government was prepared to approve a net regular budget for 1994-1995 of $196,924,600 and a net operational budget of $35,222,400. Under the proposed scale of assessments for 1994-1995, Brazil's contribution to the budget would increase by more than 40 per cent from the level at which it had stood in the 1990-1991 biennium. That was the result of three factors: the increase in the scale of assessment of Brazil in the United Nations budget by almost 10 per cent, a figure which did not reflect the performance of the Brazilian economy; the fact that, after the dissolution of the former Soviet Union; not all of the newly independent republics to which that had given rise had become Members of UNIDO and the share of the 10 republics which had done so was less than that of the former Soviet Union; and the withdrawal of Canada from the Organization, which had the effect of raising Brazil's scale of assessment. However, he was well aware that the scale of assessments mirrored decisions taken in New York.

22. He was sure that Member States would make every effort to pay their arrears of contributions to UNIDO and was gratified that the amount of arrears had fallen.

23. Mr. RUSINSKI (Observer for Poland) said that his Government was one of those which were not ready to accept the idea of a mechanical distribution of the shortfall in income caused by the withdrawal of one major Member from the Organization, and which had therefore requested the preparation of a new, leaner budget proposal. He welcomed the second set of revised proposals submitted to the Board as a major step in that direction, especially for its emphasis on economies in administrative support services. A greater use of in-house expertise would contribute to better use of human resources in the Secretariat. His delegation also welcomed the downward revision of the income estimate for the operational budget. In order for Poland to meet the increase of almost 17 per cent which had taken place in its assessed contribution since the 1992-1993 biennium, it would have to save at home, among other things by economizing on social welfare expenditure. His Government was nevertheless ready to endorse the proposed programme and budgets of UNIDO, but only as a first step towards a revitalized Organization that served the most pressing needs of its Members and was efficiently managed, robust and flexible.

24. Mr. ARIAS-SALGADO (Spain) said that his delegation saw the Director-General's proposals as a major effort to balance the budget and establish a proper relationship between income and expenditure. However, the reduction in the budgets was not sufficient to achieve zero real growth in the 1994-1995 biennium by comparison with the previous biennium. His delegation hoped that the measures announced by the Director-General in his statement at the opening meeting would result in strict adherence to the principle of zero real growth. It believed that the proposal for the temporary suspension of financial regulations 4.2 (b) and 4.2 (c) with respect to the 1990-1991 biennium, so as to allow the non-budgetary allocation of the unutilized balances reported in document PBC.9/7, was not in accordance with the principles of sound financial management which UNIDO should follow, and that it implied the unavailability to Members of possible reimbursements. His delegation therefore reserved its position on that proposal. However, it would not oppose the approval, without a vote, of the budget proposals submitted by the Programme and Budget Committee provided it was clearly understood that Spain would not make a final pronouncement on the draft budget until the fifth session of the General Conference.

25. Mr. WOTAVA (Austria) said that the Industrial Development Fund had become a very important source of project financing. Austria had contributed more than AS 20 million to the Fund - an amount higher than its contribution to the UNIDO budget - and would do its best to increase that amount.

26. He was glad to note that consultations were in hand regarding the transfer of administrative responsibility for conference services from UNIDO to UNOV. That move would enhance efficiency and economy.

27. He was concerned to see that the list of assessed contributions for the biennium 1994-1995 included Yugoslavia. His delegation shared the views expressed on that subject by the representative of Turkey. He asked the Secretariat to explain why it had included Yugoslavia in the list, thus ignoring the decision of the General Conference to exclude the Federal Republic of Yugoslavia (Serbia and Montenegro) from participation in the work of UNIDO's organs. Moreover, the inclusion of Yugoslavia in the list of assessed contributions should not be regarded as a precedent for recognizing the Federal Republic of Yugoslavia (Serbia and Montenegro) as a successor State to the former Socialist Federal Republic of Yugoslavia.

28. He noted that the revised budget for 1994-1995 provided for a reduction in the number of posts in the UNIDO Secretariat. Even allowing for the fact that some posts were vacant, a number of staff members would undoubtedly lose their jobs. That was regrettable, not only from the point of view of the host country but also for the staff concerned, who had served the Organization loyally for many years. As representative of the host country, he appealed to the UNIDO management to do its utmost to mitigate the difficulties which separated staff would face from losing their jobs, owing to circumstances totally beyond their control. He was sure that his appeal would not go unheeded by the Director-General and other leading UNIDO officials.

29. Mr. KOROLEV (Belarus) said that, in the proposed scale of assessments for contributions to the regular budget, his country's contribution had been raised by a factor of 1.5, from 0.31 to 0.51 per cent. Belarus had serious objections to that increase, which was not in keeping with its status as a founder Member of the United Nations or with its present capacity to pay. The methodology used for the calculation of the new scale, adopted by the General Assembly at its forty-seventh session, had been based on a simplified and mechanical approach. The data employed in the calculations had been statistics for the Byelorussian Soviet Socialist Republic, whose economy had been part and parcel of that of the former Soviet Union. Those figures bore no relation to his country's present economic situation, which was seriously affected by the consequences of the Chernobyl accident, the lack of natural energy resources and raw materials, the breakdown of ties with the other republics of the former Soviet Union, the introduction of radical economic and political reforms and the transition to a market economy. In those circumstances Belarus had been unable to pay its contribution to UNIDO for the past two years and could not agree to the proposed increase, which would have an adverse effect on its participation in the activities of the Organization.

30. Mr. CHEN Shiqiu (China) said that his delegation could agree to the submission of the newly revised programme and budgets for 1994-1995 to the fifth session of the General Conference, even though the proposals did not represent the best choice. He hoped that the work of major departments of UNIDO would not be adversely affected by the proposed reductions and that the situation would substantially improve in the forthcoming biennium. With regard to the scale of assessments for contributions to the regular budget, his delegation trusted that the Secretariat would make the necessary adjustments before the fifth session of the General Conference on the basis of Article 15.2 of the UNIDO Constitution and in accordance with the United Nations scale of assessments. The difficult financial situation of UNIDO had not improved substantially, because many Member States did not pay their assessed contributions on time. He hoped that UNIDO, under its new leadership, would become more efficient and speed up the restructuring process, so as to enhance the confidence of Member States in its abilities

31. Mr. PRODAN (Observer for Ukraine) said he could not agree with Programme and Budget Committee conclusion 93/5, on the scale of assessments for 1994-1995. Although the views of his country were fully set out in annex I to the Committee's report (IDB.11/15), he wished to reiterate that the way in which the contribution of the former Soviet Union had been distributed was inadmissible. The primary indicator to be taken into account in the calculation should be annual per capita income, which had sharply declined in Ukraine as a result of the difficulties it had encountered in the transition to a market economy. With regard to the provisions of Article 15.2 of the Constitution, it should be remembered that the link between the scales of assessments of the United Nations and UNIDO was not a rigid one and that UNIDO, with its own Constitution and governing bodies, was entirely free to take separate decisions on the subject. The unjust increase in Ukraine's contribution to the regular budget was unacceptable. He therefore called the

Board to revise conclusion 93/5 with a view to establishing an equitable contribution to the regular budget for his own country and others.

32. Mr. DAMANPAK JAMI (Islamic Republic of Iran) said that his country too was one of those affected by the substantial increase in its scale of assessment which had been caused by the withdrawal from UNIDO of one major contributor. That change had occurred at a time when his Government was submitting new economic data to the financial institutions of the United Nations for the recalculation of its scale of assessment in that Organization. Accordingly, his delegation would accept his country's scale of assessment in UNIDO for the 1994-1995 biennium, but only on the understanding that, when the General Assembly adopted a new scale for the Islamic Republic of Iran, an appropriate adjustment would be made in its UNIDO assessment.

33. His delegation regretted that the revised programme and budgets of UNIDO for 1994-1995 showed a decline of over $9 million in the net resource levels available under the regular budget, with a consequent fall of 1.6 per cent in the core funding on which UNIDO depended for delivering services and technical assistance. In order to maintain the level of funding at least at that of the 1992-1993 budget, his delegation would have preferred the Secretariat to have had recourse to the method of financing budgetary appropriations from unutilized balances. It would nevertheless approve the budget proposals on the assumption that the overriding principle to be followed in making the required adjustments would be to effect reductions in expenditure without unduly jeopardizing the Organization's capacity for technical assistance delivery.

34. Mr. HORMANN (Observer for Denmark), speaking on behalf of the European Community and its member States, thanked the Director-General for his report on the joint United Nations/UNIDO conference services (IDB.11/21). Before a final decision was taken on that matter, the Community and its members would need to be assured that the proposed transfer of administrative responsibility would not involve a decrease in the quality of service or any increase in costs. He asked for information on what reductions might take place in the staff, income and expenditure of UNIDO as a result of the transfer, and requested the Director-General to report to the Board, in time for a resumption of the present session, on the progress of his negotiations on the subject with the United Nations Office at Vienna.

35. UNIDO was to be congratulated on having two eminently qualified candidates for the post of External Auditor. Without wishing in any way to detract from the credentials of the candidate from India, who was about to join the United Nations Board of Audit for a three-year term, the Community and its members advocated the appointment of the President of the German Federal Board of Audit to the post.

36. Mrs. BOH (Observer for Slovenia) said that, taking into consideration the difficult financial situation of UNIDO, her delegation appreciated the efforts made by the Director-General to restructure the budget. It was pleased that new countries had been included in the budget assessments, but it strongly objected to the inclusion of Yugoslavia in the list of assessments and supported the statements made on that subject by the representatives of Turkey and Austria. The inclusion of Yugoslavia in the list conflicted with the decision taken by the General Conference in resolution GC/S.1/Res.1. She requested the Secretariat to rectify that error.

37. Mr. ARCILLA (Observer for Philippines) said that the Board should re-examine the decision of the Programme and Budget Committee to propose a $3 million reduction in UNIDO's resources for the next biennium in real terms, for the following reasons: the pattern of payments of contributions had improved since the Committee's session in April 1993; it was difficult to see how the proposed staff reductions could take place without hampering the substantive operations of the Organization; operational budget income had dropped by 30 per cent; and the Organization's new membership brought with it a projected increase of about $500,000 per annum in assessed contributions. The Board might therefore wish to adopt a less stringent approach to the budget, the irreducible minimum being at least the maintenance of zero growth. In that way the reduction in staff could be avoided.

38. He was also disturbed at the prospects for the UNIDO Country Director programme. His delegation believed that the use of discounted air fares for the home leave of staff members might generate economies which would release at least $1.4 million per year for the UCD programme.

39. He asked how the priorities established under the medium-term plan, including special regional programmes, would be dealt with in the allocation of funds, and requested the Secretariat to provide a programme of allocation according to specific technical cooperation activities per region in time for the the fifth session of the General Conference.

40. Mr. ZAITSEV (Russian Federation) said that the Programme and Budget Committee had agreed to the Secretariat's revised budget proposals in view of the fact that the Director-General had met its request to reduce the financial resources of UNIDO for 1994-1995, thereby showing that the Organization could make use of existing resources to discharge its responsibilities, and also on the understanding that the reduction would be achieved by reallocations within the regular budget and a decrease in administrative support costs under the operational budget.

41. With regard to the proposal to remove Yugoslavia from the list of assessments, that step would amount to the expulsion of Yugoslavia from UNIDO, an action for which United Nations General Assembly resolution A/RES/47/1 and General Conference resolution GC/S.1/Res.1 dis not provide. Since the Constitution made no provision for excluding Members, it would have to be amended before the Board could take any decision which had that effect. Furthermore, the Board should amend Programme and Budget Committee conclusion 93/2 by the addition of the phrase "with the exception of the last sentence of paragraph 12" at the end of subparagraph (e). In accordance with Article 15.2 of the Constitution, the UNIDO scale of assessments for contributions to the regular budget should be based "to the extent possible" on the United Nations scale, which included Yugoslavia. Therefore, in excluding Yugoslavia from the list of assessments, the Board would

again be taking a decision at variance with the Constitution, something which it had no right to do.

42. Yugoslavia's overall debt to the Organization amounted to $1.642 million. If it was excluded from UNIDO, the legal question would arise as to how the shortfall should be met. Since UNIDO had no funds other than the contributions of Member States, it followed that the Yugoslav debt would have to be distributed among the membership, unless certain Member States were willing to assume it. He would appreciate an explanation on that subject. In conclusion, he emphasized that he had referred only to the legal and financial aspects of the proposal, leaving aside its political implications.

43. Mr. LEE (Republic of Korea) expressed his full support for the action recommended by the Programme and Budget Committee in paragraph 14 of document IDB.11/2/Rev.1/Add.1. However, the financial situation of UNIDO as outlined in the Director-General's report (IDB.11/6 and Add.1) gave grounds for concern. It was particularly regrettable that the total of outstanding contributions amounted to $89 million. Despite some positive developments, it was a source of disappointment that undue delays in payment of contributions by some Member States, in particular the main contributors, continued to have an adverse effect on the functioning of the Organization. Some way should urgently be found of encouraging the timely payment of contributions. His country continued to support the introduction of a scheme of incentives and disincentives and urged the Secretariat to come up with a workable proposal on the subject.

44. It was gratifying to note the efforts made by the Director-General to stabilize the operational budget by bringing income and expenditure into line. He advocated more vigorous implementation of the plans of action contained in document IDB.11/6, but stressed the need for the Secretariat to look for further ways of ensuring that programme activities and the technical capacity of the Organization were not jeopardized by adjustments made to staffing levels. Better advantage should be taken of Member States' offers to make qualified experts available to the Secretariat on a non-reimbursable loan basis or similar arrangement using self-financed trust fund schemes.

45. He noted that the Director-General considered that both candidates for the post of External Auditor were eminently well qualified. He recalled the recommendation made by the Chairman of the Group of 77 at the ninth session of the Programme and Budget Committee that UNIDO's External Auditor should be from a developing country. He therefore supported the appointment of the Auditor General of India.

46. Mr. BAKSHI (India) expressed his satisfaction at the improved rate of collection of assessed contributions, which he hoped would continue, and commended the Director-General on his strenuous efforts to keep the budget within the limited resources available.

47. Referring to the scale of assessments for 1994-1995, he welcomed the accession of three new Member States, two of which had been assessed at 0.21 per cent. In his view, the regular budget should therefore be increased by at least that amount, and the same principle should apply if further States joined the Organization. The UNIDO scale of assessments should be based on the current United Nations scale, which had been finalized by the General Assembly after a very lengthy process.

48. India firmly believed that UNIDO's regular budget should be growth-oriented, whereas the Programme and Budget Committee's recommendation implied a real negative growth rate of 1.6 per cent. Moreover, the provisions for revaluation and inflation had been cut, leading to a reduction in net resource levels for 1994-1995 of 4.5 per cent over the original proposal, which had been based on zero growth. Those reductions would have a serious effect on UNIDO's capacity to provide assistance, as well as on morale. The resulting staff cuts would inevitably affect technical cooperation delivery. He wished to place on record India's serious concern over the reduction of the budget.

49. His country made an annual contribution equivalent to $1 million to the Industrial Development Fund, being both a donor and a recipient. It intended to contribute the same amount in 1994, as a token of its strong commitment to the objectives of the Fund. He supported the suggestion made by the representative of Mexico that donors should increase their contributions to the general-purpose segment and not impose conditions, so that equipment could be purchased on the most advantageous terms.

50. He formally presented the candidature of the Comptroller and Auditor General of India once again for the post of External Auditor of UNIDO, in the strong belief that a developing country should be given an opportunity to do that work. He reminded the Board of the statement made by the Chairman of the Group of 77 at the ninth session of the Programme and Budget Committee in support of India's candidature.

51. Mr. RIANON (Indonesia) endorsed the report of the Programme and Budget Committee, including the proposed programme and budgets for 1994-1995. The withdrawal of Canada from UNIDO, which he regretted, and the adjustment in the scale of assessments to take account of the membership of countries of the Commonwealth of Independent States had resulted in changes in the scale proposed for 1994-1995. Despite the budget shortfall, however, UNIDO should preserve its capacity to carry out its basic mandate. He shared the deep concern that had been expressed regarding UNIDO's financial situation and appealed to all Member States to pay their assessed contributions without delay. He also urged the Secretariat to continue to seek additional resources for financing the technical cooperation programme.

52. With regard to the Industrial Development Fund and other forms of voluntary contributions, he approved the increase in the number of projects to be financed under the Fund in 1994-1995 in accordance with the priority areas specified in the draft medium-term plan, 1994-1999, and announced that his Government had paid its contribution to the Fund for 1993.

53. In view of their great importance, he would like to see the number of UNIDO Country Director (UCD) posts gradually increased to the target figure of 50; at the very least, the present level must be maintained. He sincerely hoped that donor countries, multilateral financial institutions and other contributors would provide funds for the implementation of the UCD programme. His own Government had decided to increase its voluntary contribution to financing the local costs of the UCD office at Jakarta.

54. Mr. MARTIN (United States of America) said that his country could accept the revised programme and budgets for 1994-1995 proposed by the Director-General and it acknowledged the efforts which the proposals made to address many of the concerns raised by Member States at the ninth session of the Programme and Budget Committee. However, he was still worried by UNIDO's practice of converting staff posts from the operational to the regular budget. At one time, 14 such posts had been proposed for conversion under the 1994-1995 budget. In his view, UNIDO should not use that process as a means of alleviating the problems it had in securing voluntary funds. He urged the Director-General to end the practice and to give greater attention to making the operational budget truly self-supporting.

55. In agreeing to the 1994-1995 budget, the United States acknowledged a commitment to meet all of its financial obligations to UNIDO. In addition to the payment of its current assessment, it intended to continue making instalment payments on its arrears with the aim of completing the process by 1995.

56. He shared the concern expressed by the representatives of Turkey and other countries with regard to the inclusion of "Yugoslavia" in the 1994-1995 scale of assessments for contributions to the regular budget, which appeared to contravene the provisions of General Conference resolution GC/S.1/Res.1. At present, as he saw it, there were no grounds for including an entity designated "Yugoslavia" in the 1994-1995 scale of assessments. Although the issue appeared straightforward, he invited the Legal Adviser to comment on the matter and clarify the Secretariat's reasoning.

57. Mr. PUTHO (Thailand) endorsed the second set of revised proposals for the programme and budgets for 1994-1995 (IDB.11/2/Rev.1/Add.1) and commended the Secretariat on its efforts to reduce the estimates below the level requested by the Programme and Budget Committee. Noting that the total number of posts under the regular and operational budgets had been reduced by 106, he was optimistic that the Organization would be able to operate effectively at the proposed level of staffing, thus confirming that previously it had been overstaffed.

58. He welcomed the improved collection rate for assessed contributions, which meant that there would be no cash shortfall in the regular budget during the rest of 1993. He hoped that would be the case in future years, eliminating the need to suspend the financial regulations concerning the unutilized balances of prior years. Repeated temporary suspension of the financial regulations ultimately constituted permanent suspension, a state of affairs with which he did not agree on principle. He hoped that, with effect from the biennium 1992-1993, any unutilized balances would be credited to Member States in the appropriate manner.

59. Developing countries needed and supported the UNIDO Country Director (UCD) programme. He therefore urged that funds should be sought from all sources to achieve the target level of 50 UCDs set by the General Conference in resolution GC.4/Res.4. In view of the fact that the allocation of UNDP resources was expected to decline, other sources of financing should be sought for the programme.

60. He was optimistic that the proposed new arrangements for United Nations field offices would have a positive impact on the work of UNIDO, since the offices would have a wider mandate and would benefit from the strength of country teams led by the United Nations resident coordinators and supported by representatives of specialized agencies and UNDP. He urged UNIDO to monitor developments and redefine the role of Country Directors and the way in which they were financed.

61. Mr. VLAD (Romania) commended the Director-General for his efforts to harmonize the various budgetary components of UNIDO for 1994-1995, given the difficult period through which the Organization was passing. He hoped that the new strategy for UNIDO's activities would result in all countries becoming Members of the Organization. It might then adopt the same scale of assessments as the United Nations. His country was going through an awkward time of transition to a market economy, and was also suffering from the burden of the sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro). It had nevertheless made considerable efforts to fulfil its financial obligations to UNIDO and had made a voluntary contribution to the Organization. He was therefore unable to accept the revised scale of assessment for his country shown on page 26 of document IDB.11/2/Rev.1/Add.1. He hoped that Romania's position would be fully understood by the Secretariat and the Members of UNIDO.

62. Mr. BELLA (Slovakia) said that, with regard to assessed contributions to UNIDO for the biennium 1992-1993, his country had decided to take a share of the assessed contribution of the former Czechoslovakia, which had been mutually agreed at one third of the assessed contribution for 1993. The amount in question had recently been paid. With regard to the scale of assessments for 1994-1995, he supported the view expressed by representatives of other countries, notably from Group D, that the scale should be recalculated to reflect the economic realities facing countries in transition to a market economy.

63. Mr. AL-SAEID (Kuwait) approved the revised draft budget recommended by the Programme and Budget Committee. However, he questioned the inclusion of Yugoslavia in the list of assessments for contributions to the regular budget and shared the views expressed on that subject by the representatives of Austria and Turkey. General Conference resolution GC/S.1/Res.1 had determined that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not continue automatically the membership of the former Socialist Federal Republic of Yugoslavia. He sought clarification on the issue from the Secretariat.

64. Mr. AL-ZEID (Saudi Arabia) said that he too shared the concerns expressed by Austria and Turkey about the inclusion of Yugoslavia in the scale of assessments. UNIDO was an independent specialized agency whose General Conference had decided that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not automatically take over the membership of the former Socialist Federal Republic of Yugoslavia. He called on the Secretariat to correct the list of assessments, since resolutions of the General Conference must be respected.

65. Mr. SALLOUKH (Observer for Lebanon) agreed that the Federal Republic of Yugoslavia (Serbia and Montenegro) should not be included in the scale of assessments, since that was tantamount to continuing the membership of the former Socialist Federal Republic of Yugoslavia, contrary to what the General Conference had decided.

66. Mr. DE MARIA Y CAMPOS (Director-General) expressed satisfaction with the approval by the Programme and Budget Committee of his proposals for the programme and budgets, 1994-1995, since they represented an important step forward for the Organization. He had found the discussion of the proposals in the Board fruitful. In the three months following his election, he had faced a demanding task in revising the budget to deal with the difficult financial situation he had inherited. He had taken a realistic approach to the matter, with the guidance of Member States, and had devoted himself to an analysis of the priorities and future structure of UNIDO. He was well aware of the tight constraints imposed on the Organization by the budget, particularly under the operational budget. While he was gratified at the improved rate of collection of assessed contributions to the regular budget - 47 per cent in June 1993 compared with 41 per cent at the same time in the previous year - and welcomed the efforts of Member States, particularly new Members, to pay their contributions as due, the collection rate was still not good enough.

67. While appreciating the concerns voiced by certain Member States about UNIDO's scale of assessments for the regular budget, he pointed out that it was determined by the scale of assessments set by the United Nations. That was the proper forum for the resolution of difficulties which Member States faced in relation to assessed contributions.

68. With regard to the comment made by the delegation of Turkey on the operational budget, he said that it was subject to regular monitoring. The estimates presented to the Board were the best available but were subject to change. In order to alleviate pressure on the operational budget, he encouraged Member States to contribute more to the Industrial Development Fund and trust funds. He shared the hope expressed by the representative of Mexico that the Fund would receive larger contributions from all Member States, including the advanced developing countries. As far as possible those contributions should not be tied, so that they could be directed towards meeting the priority needs of Member States as a whole, particularly the least developed countries.

69. On the question of the joint conference service, he reiterated his conviction that it should be transferred to the United Nations as soon as possible. He believed that a unified service would be efficient and would preserve the present quality of service. Active discussions were in progress on the subject and he hoped that the transfer could take place earlier than the currently proposed date of January 1996. He urged Member States to support the move, since UNIDO needed a smaller, stronger structure in order to fulfil its mandate effectively.

70. Mr. WARNER (Deputy Director-General, Department of Administration) said that the suggestion made by the representative of the Philippines with regard to possible economies in the cost of home leave would require discussion, including consultations with staff representatives in the Joint Advisory Committee, because of the question of staff rights. The matter was not directly related to finding funds for the UNIDO Country Director programme, which would have to be identified across the whole spectrum of the budget and not singled out in relation specifically to staff costs.

71. On the question of the transfer of the languages and documentation functions of the conference service to the United Nations, it had been assumed in the preparation of the budget documents before the Board, and in the planning process, that the transfer would have no adverse impact on UNIDO's budget.

72. He assured the representative of Austria that training and retraining constituted a significant element in the staff reduction programme.

73. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), replying to the comments made by delegations on the question of the UNIDO Country Director (UCD) programme, said that funding the programme was a problem. In order to achieve the target of 50 UNIDO Country Directors it would be necessary to obtain additional resources. One means of additional financing would be for host Governments to increase their contribution to local costs. He was grateful for the contribution made by Indonesia to the local costs of the UNIDO Country Director there. With regard to the remarks made by the representatives of Mexico and Turkey about the role to be played by UCDs, the Director-General's report (IDB.11/7) reflected the view of the Secretariat that they should shift away from their traditional activities to the provision of direct advice, with much closer linkages to the private sector through the local chambers of industry, finance institutions, etc., and the services of national officers. He informed the representative of Thailand that the Organization was monitoring the discussions taking place in New York on the unified field offices and their impact on UNIDO.

74. Mr. NEUMANN (Legal Adviser) said that, under Article 15 of the Constitution, the Programme and Budget Committee should have recommended a scale of assessments to the Board for contributions to the regular budget of UNIDO. In conclusion 93/5, instead of doing that, the Committee had requested the Director-General to submit a draft scale to the Board. Under Article 15 of the Constitution, the Board must recommend a scale of assessments to the General Conference. General Conference resolution GC/S.1/Res.1 was similar to resolutions adopted by the United Nations Security Council and the General Assembly and also in other specialized agencies and the International Atomic Energy

Agency (IAEA). None of the resolutions stated expressly whether or not Yugoslavia (Serbia and Montenegro) was a member of the organization concerned; the decisions taken related only to participation, and there was some room for interpretation in regard to membership.

75. Such interpretations had been given in statements in the Security Council, and to a lesser extent the General Assembly, as far as the United Nations itself was concerned. In IAEA, an interpretation had been given in a statement by the President of the Board of Governors. In the case of UNIDO, the statements made at the special session of the General Conference would seem to tend towards a different interpretation. As Legal Adviser, he saw no difficulty in following the interpretation expressed by the majority of speakers. He would not see any reason to amend the Constitution if those views were to prevail.

76. Mr. WOTAVA (Austria) said that, as a specialized agency, UNIDO should take its own decisions. No decision in the United Nations went as far as that of the General Conference, which excluded Yugoslavia from participation in all the principal bodies of the Organization. In the United Nations, Yugoslavia was excluded from the General Assembly and the Economic and Social Council, but not from the functional commissions. According to the General Conference resolution, Yugoslavia should not be included in the list of contributors to the regular budget of UNIDO.

77. Mrs. OK (Turkey) agreed that UNIDO should interpret the point for itself. There was no need for a separate decision on the matter since a General Conference resolution dealt with it already. The Secretariat should rectify the situation. She wished to make it clear that, if Yugoslavia was included in the scale of assessments, her country would not accept that as implying that the Federal Republic of Yugoslavia (Serbia and Montenegro) was the successor to the former Socialist Federal Republic of Yugoslavia.

78. Mr. HULSE (United Kingdom), supported by Mr. MELY (France) and Mr. BOUTOS (Greece), said that as there had been no decision to expel Yugoslavia from the Organization, and it had not decided to withdraw, it was logical that it should be listed in the scale of assessed contributions. He agreed with the Legal Adviser that the General Conference decision concerned participation in UNIDO's activities; Yugoslavia was indeed excluded from the Organization's governing bodies, but legally it had not been expelled from the Organization. In his view, UNIDO should follow the precedent established by the United Nations General Assembly; any future decisions on the subject should be left to the United Nations and should not be pre-empted by UNIDO.

79. Mr. AL-SAEID (Kuwait) asked whether the reference to Yugoslavia meant the former Socialist Federal Republic of Yugoslavia or the Federal Republic of Yugoslavia (Serbia and Montenegro).

80. Mr. AL-ZEID (Saudi Arabia), while endorsing the statements just made by Austria and Turkey, said that the comments of the Legal Adviser and the representative of the United Kingdom implied that Yugoslavia should appear in the scale of assessments, since it had not been and could not be expelled. As the assessment of the former Yugoslavia for 1992-1993 had been 0.42 per cent and the assessment for 1994-1995 was 0.17 per cent, he took it that the latter referred to the Federal Republic of Yugoslavia (Serbia and Montenegro). It should apply for membership of UNIDO, since at present it was not a Member.

81. Mr. FADLALLA (Sudan) sought further clarification on the subject from the Legal Adviser. He endorsed the view expressed by those representatives who had said that Yugoslavia was not at present a Member of UNIDO, and therefore should not be listed in the scale of assessments.

The meeting rose at 1.15 p.m.